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**ANNUAL REPORT**

**1971**

**PHILLIPS CABLES LIMITED**





**DAWN OF THE SPACE AGE.**

...Cables installed today will still be functioning far into the next century.

**21st** Century—  
**HERE WE ARE!**



SIX FACTORIES  
9 WAREHOUSES COAST TO COAST



## ANNUAL REPORT

For the Year Ended December 31, 1971

### FINANCIAL HIGHLIGHTS

|                                  | 1971         | 1970         | 1969         | 1968         | 1967         |
|----------------------------------|--------------|--------------|--------------|--------------|--------------|
| <b>SALES</b> .....               | \$69,187,000 | \$79,579,000 | \$62,241,000 | \$64,497,000 | \$59,376,000 |
| <b>EARNINGS</b>                  |              |              |              |              |              |
| Before Income Taxes .....        | \$ 7,580,000 | \$ 9,959,000 | \$ 5,534,000 | \$ 2,281,000 | \$ 5,329,000 |
| Income Taxes .....               | 3,376,000    | 5,197,000    | 2,768,000    | (169,000)    | 1,803,000    |
| Before Extraordinary Item .....  | 4,204,000    | 4,762,000    | 2,766,000    | 2,450,000    | 3,526,000    |
| Extraordinary Item: Income Taxes | —            | 442,000      | 268,000      | —            | —            |
| Earnings for the Year .....      | \$ 4,204,000 | \$ 5,204,000 | \$ 3,034,000 | \$ 2,450,000 | \$ 3,526,000 |
| Depreciation Charged .....       | \$ 1,785,000 | \$ 1,630,000 | \$ 1,640,000 | \$ 1,816,000 | \$ 1,225,000 |
| Investment in Fixed Assets ..... | 1,696,000    | 2,493,000    | 1,211,000    | 1,848,000    | 4,543,000    |
| Working Capital .....            | \$20,097,000 | \$17,369,000 | \$14,882,000 | \$13,970,000 | \$13,066,000 |
| Shareholders' Equity .....       | 29,003,000   | 26,392,000   | 22,744,000   | 20,819,000   | 19,472,000   |
| Dividends Declared .....         | 1,593,000    | 1,710,000    | 1,109,000    | 1,109,000    | 871,000      |
| Shares Outstanding .....         | 3,981,875    | 3,981,875    | 3,959,925    | 3,959,925    | 3,958,975    |
| <b>PER SHARE</b>                 |              |              |              |              |              |
| Earnings:                        |              |              |              |              |              |
| Before Extraordinary Item .....  | \$1.06       | \$1.20       | \$ .70       | \$ .62       | \$ .89       |
| After Extraordinary Item .....   | 1.06         | 1.31         | .76          | .62          | .89          |
| Dividends Paid .....             | .40          | .40          | .28          | .28          | .24          |
| Equity .....                     | 7.29         | 6.63         | 5.74         | 5.26         | 4.92         |

### ANNUAL MEETING

The Annual Meeting of the Shareholders will be held at the Skyline Hotel, Stewart Boulevard, Brockville, Ontario, on April 27, 1972 at two-thirty o'clock in the afternoon.

## BOARD OF DIRECTORS

|                        |                  |                      |                  |
|------------------------|------------------|----------------------|------------------|
| H. Campbell .....      | Ottawa, Ont.     | T. A. Lindsay .....  | Brockville, Ont. |
| A. L. Fergenson .....  | New York, U.S.A. | J. A. McCleery ..... | London, England  |
| G. Gingras .....       | Montreal, Que.   | J. E. Thomas .....   | Brockville, Ont. |
| M. F. W. Greene .....  | Brockville, Ont. | A. S. Torrey .....   | Montreal, Que.   |
| J. S. Waddington ..... | Brockville, Ont. |                      |                  |

## OFFICERS

|                                               |                  |
|-----------------------------------------------|------------------|
| Chairman .....                                | A. S. Torrey     |
| President .....                               | T. A. Lindsay    |
| Vice-President & Secretary .....              | M. F. W. Greene  |
| Vice-President — Sales .....                  | C. F. Jardim     |
| Vice-President — Brockville Operations .....  | J. L. Olsen      |
| Vice-President — Industrial Relations .....   | J. R. Philips    |
| Vice-President — Construction Products .....  | C. Prescott      |
| Vice-President — Power Products .....         | R. C. Salkeld    |
| Vice-President .....                          | J. E. Thomas     |
| Vice-President — Communication Products ..... | J. S. Waddington |
| Treasurer .....                               | R. B. Wolton     |
| Assistant Secretary .....                     | E. W. Reynolds   |

## MANAGEMENT

|                                                 |                 |
|-------------------------------------------------|-----------------|
| Manager of Manufacturing & Engineering — .....  | G. H. Gallimore |
| Communication Products                          |                 |
| Manager of Manufacturing — Power Products ..... | P. H. Wylie     |
| General Sales Manager .....                     | A. L. Roy       |

## AUDITORS

Riddell, Stead & Co.  
Montreal, Que.

## TRANSFER AGENT & REGISTRAR

National Trust Company Ltd.  
Toronto and Montreal

## BANKERS

Canadian Imperial Bank of Commerce

## SOLICITORS

Borden, Elliot, Kelley & Palmer  
Toronto, Ont.



# PHILLIPS CABLES LIMITED

HEAD OFFICE  
BROCKVILLE, ONTARIO

## TO THE SHAREHOLDERS:

Your Directors have pleasure in submitting their 18th Annual Report.

## EARNINGS

Sales and earnings in 1971 were the second highest in the history of the Company, surpassed only in 1970 when the Company enjoyed an exceptionally large volume of favorable business with customers in the U.S.A.

Earnings in 1971, at \$1.06 per share compared to \$1.20 per share in 1970, are off approximately 12%.

## SALES

Sales declined 13% compared to 1970 due to reduced export business in the first half of the year when sales to U.S.A. customers diminished to an insignificant volume. Domestic business and other exports increased considerably during 1971, and indications are that this trend will continue.

## FINANCIAL & DIVIDENDS

The Company's sound financial position was strengthened by an increase of \$2,728,000 in working capital, which now stands at \$20,097,000.

A recent small purchase of the Company's First Mortgage Bonds at a discount has now satisfied the 1973 Sinking Fund requirement.

The quarterly dividend rate of 10 cents per share was maintained throughout 1971.

## OPERATIONS

Productivity improvement and cost reduction programs were continued throughout all plants of the Company. The successful implementation of these plans has had, and will continue to have, an important bearing on our efforts to offset increased labour costs and so maintain a competitive position in domestic and world markets.

During the year, production and sales were adversely affected by strikes at the Brockville,

Sentinel and Rimouski plants. While of relatively short duration, the interruption of production schedules and the consequent inconvenience to customers resulted in a loss of sales quite out of proportion to the length of the strikes.

At Brockville, two major new installations were completed during the year. The first of these was a new \$750,000 extrusion line which has enabled the Company to offer polymeric cables in higher voltages. This unit was brought into production following the summer shutdown and is now a valued addition to the manufacturing equipment in the Power Products Division. The second innovation consisted of a highly automated plastic compounding facility which has been instrumental in reducing material costs.

In the Communication Cable plants, several major expansion programs were undertaken and some of these are already contributing to increased production. One of the more significant developments of last year was the introduction of a new type of underground telephone cable which has had excellent initial acceptance by Canadian telephone administrations.

Overall, the Company is now well equipped with the most modern manufacturing machinery available and is in a favorable position to take advantage of expected increases in demand for power, construction and communication cables.

## METALS

Copper and aluminum were in adequate supply during 1971. The price of copper fluctuated during the year from a price of 51¢ per pound in January to a high of 53.75¢ per pound in June, dropping to 50.3¢ in November. In February 1972, the average cost of copper to the Company had increased to 52.6¢ per pound.

## BOARD OF DIRECTORS AND MANAGEMENT

Dr. Arthur S. Torrey, who has been Chairman of the Company since 1954, has expressed his desire to retire at this year's Annual Meeting. It was with considerable regret that the Board accepted Dr. Torrey's decision. His keen interest in the Company during its formative years after



the 1953 reorganization has been an inspiration to all with whom he came in contact. His wise counsel and presence at the Board meetings will be greatly missed.

At a recent meeting of the Board of Directors, it was agreed that, following the Annual Meeting of Shareholders, it would be the intention of the Directors to make the following appointments:

Chairman, President &  
Chief Executive Officer . . . . T. A. Lindsay  
Vice-Chairman . . . . . J. A. McCleery

On January 1st, Mr. J. E. Thomas relinquished his responsibility for the Sales operation in preparation for his retirement later this year, and has been appointed a Vice-President, Special Assignments. He has been succeeded by Mr. C. F. Jardim, formerly General Sales Manager, who was appointed Vice-President, Sales as at January 1, 1972.

Mr. J. L. Olsen, formerly Vice-President, Magnet Wire Division, has been appointed Vice-President, Brockville Operations, with responsibility for both Power Products and Magnet Wire Divisions.

## PERSONNEL

During 1971, labour contracts were negotiated at Brockville, Sentinel and Rimouski.

In 1972, labour contracts expire at our plants in Scarborough, Vancouver and Dartmouth. A new contract has just been concluded with the bargaining agents for the employees at the Scarborough plant with no loss of production. Negotiations are presently in progress at the Vancouver plant. Discussions on the Dartmouth contract will not begin until autumn.

Employee strength in the Company as at the end of 1971 was 1,667 against 1,516 at the same date in 1970. The increase reflects the accelerated demand at the end of 1971 compared with depressed business conditions which existed at the end of 1970.

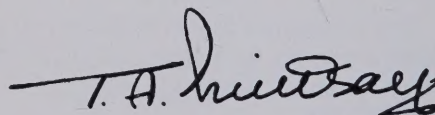
Your Directors take this opportunity to express their appreciation to all employees for the loyal and efficient contribution they have made to the Company's progress.

## OUTLOOK

The general improvement in domestic business, enhanced by substantial contracts for telephone cable in the export market, has provided the Company with an improved backlog of orders compared with early 1971.

While the overall economy shows many signs of hesitation, the continued demand for housing, electric power and communications augurs well for growth of the wire and cable industry. Your Company is in a strong position to capitalize on the benefits of an increased market. Barring a labour disruption in either metal supply or in our own production, we are confident we can meet our sales objectives and show a gain in earnings in 1972.

On behalf of the Board of Directors,



President.

March 17, 1972.

**PHILLIPS CABLES LIMITED**  
AND SUBSIDIARIES

**CONSOLIDATED STATEMENT OF EARNINGS**

FOR THE YEAR ENDED DECEMBER 31, 1971

|                                                           | 1971                | 1970                |
|-----------------------------------------------------------|---------------------|---------------------|
| Sales .....                                               | \$69,187,000        | \$79,579,000        |
| Cost of sales, selling and administrative expenses .....  | 59,147,000          | 67,319,000          |
| Depreciation .....                                        | 1,785,000           | 1,630,000           |
| Interest and discount on long-term debt .....             | 315,000             | 404,000             |
| Remuneration of directors and officers (Note 4) .....     | 360,000             | 267,000             |
|                                                           | <u>61,607,000</u>   | <u>69,620,000</u>   |
| Earnings before Extraordinary Item and Income Taxes ..... | 7,580,000           | 9,959,000           |
| Income Taxes .....                                        | <u>3,376,000</u>    | <u>5,197,000</u>    |
| Earnings before Extraordinary Item .....                  | 4,204,000           | 4,762,000           |
| Extraordinary Item: Income taxes (Note 5) .....           | —                   | 442,000             |
| Earnings for the Year .....                               | <u>\$ 4,204,000</u> | <u>\$ 5,204,000</u> |
| Earnings per Share                                        |                     |                     |
| Before extraordinary item .....                           | \$ 1.06             | \$ 1.20             |
| After extraordinary item .....                            | \$ 1.06             | \$ 1.31             |

**CONSOLIDATED STATEMENT OF RETAINED EARNINGS**

FOR THE YEAR ENDED DECEMBER 31, 1971

|                                     | 1971                | 1970                |
|-------------------------------------|---------------------|---------------------|
| Balance at January 1 .....          | \$16,514,000        | \$12,295,000        |
| Earnings for the year .....         | 4,204,000           | 5,204,000           |
| Transfer from general reserve ..... | —                   | 725,000             |
|                                     | <u>20,718,000</u>   | <u>18,224,000</u>   |
| Dividends .....                     | <u>1,593,000</u>    | <u>1,710,000</u>    |
| Balance at December 31 .....        | <u>\$19,125,000</u> | <u>\$16,514,000</u> |



CONSOLIDATE  
AS AT DE

ASSETS

|                                                             |                     | 1971                        | 1970                         |
|-------------------------------------------------------------|---------------------|-----------------------------|------------------------------|
| <b>Current Assets</b>                                       |                     |                             |                              |
| Cash .....                                                  |                     | \$ 216,000                  | \$ 544,000                   |
| Short-term deposits .....                                   |                     | 3,750,000                   | 4,500,000                    |
| Accounts receivable .....                                   |                     | 7,895,000                   | 6,626,000                    |
| Inventories at lower of cost and net realizable value ..... |                     | 17,849,000                  | 15,739,000                   |
| Prepaid expenses .....                                      |                     | 130,000                     | 170,000                      |
|                                                             |                     | <u>29,840,000</u>           | <u>27,579,000</u>            |
|                                                             |                     |                             |                              |
| Accounts Receivable — due in 1973 .....                     |                     | 331,000                     | —                            |
|                                                             |                     |                             |                              |
| Mortgage Receivable .....                                   |                     | 225,000                     | 250,000                      |
|                                                             |                     |                             |                              |
| <b>Fixed Assets (Note 2)</b>                                |                     |                             |                              |
|                                                             | Cost                | Accumulated<br>Depreciation |                              |
| Land .....                                                  | \$ 335,000          | \$ —                        | 335,000 335,000              |
| Buildings .....                                             | 8,868,000           | 3,176,000                   | 5,692,000 5,708,000          |
| Machinery .....                                             | 23,922,000          | 14,359,000                  | 9,563,000 9,415,000          |
| Construction in progress .....                              | 445,000             | —                           | 445,000 691,000              |
|                                                             | <u>\$33,570,000</u> | <u>\$17,535,000</u>         | <u>16,035,000 16,149,000</u> |

Signed on behalf of the Board:

T. A. LINDSAY, Director.

GÉRARD GINGRAS, Director.

\$46,431,000 \$43,978,000



**BALANCE SHEET**

PER 31, 1971

**LIABILITIES**

|                                                                                         | 1971             | 1970              |
|-----------------------------------------------------------------------------------------|------------------|-------------------|
| <b>Current Liabilities</b>                                                              |                  |                   |
| Accounts payable and accrued liabilities including \$718,000<br>due to affiliates ..... | \$ 6,195,000     | \$ 4,210,000      |
| Income and other taxes .....                                                            | 1,083,000        | 3,369,000         |
| Dividend payable .....                                                                  | 398,000          | 398,000           |
| Current maturities of long-term debt .....                                              | 34,000           | 40,000            |
| Deposits held for returnable containers .....                                           | 2,033,000        | 2,193,000         |
|                                                                                         | <u>9,743,000</u> | <u>10,210,000</u> |
| <br>Long-Term Debt (Note 3) .....                                                       | <br>5,275,000    | <br>5,579,000     |
| <br>Deferred Income Taxes .....                                                         | <br>2,410,000    | <br>1,797,000     |

**SHAREHOLDERS' EQUITY**

|                                                            |                   |                   |
|------------------------------------------------------------|-------------------|-------------------|
| <b>Capital Stock</b>                                       |                   |                   |
| Authorized — 5,000,000 shares without nominal or par value |                   |                   |
| Issued — 3,981,875 shares .....                            | 9,878,000         | 9,878,000         |
| Retained Earnings .....                                    | 19,125,000        | 16,514,000        |
|                                                            | <u>29,003,000</u> | <u>26,392,000</u> |

|                            |                            |
|----------------------------|----------------------------|
| <u><u>\$46,431,000</u></u> | <u><u>\$43,978,000</u></u> |
|----------------------------|----------------------------|



**PHILLIPS CABLES LIMITED**  
AND SUBSIDIARIES

**CONSOLIDATED STATEMENT OF SOURCE AND APPLICATION OF FUNDS**

FOR THE YEAR ENDED DECEMBER 31, 1971

|                                                         | 1971                | 1970                |
|---------------------------------------------------------|---------------------|---------------------|
| <b>Source of Funds</b>                                  |                     |                     |
| Earnings for the year .....                             | \$ 4,204,000        | \$ 5,204,000        |
| Transactions not requiring the use of funds:            |                     |                     |
| Depreciation and net book value of assets retired ..... | 1,810,000           | 1,657,000           |
| Amortization of bond discount .....                     | —                   | 72,000              |
| Deferred income taxes .....                             | 613,000             | 168,000             |
|                                                         | <u>2,423,000</u>    | <u>1,897,000</u>    |
| Funds provided from operations .....                    | 6,627,000           | 7,101,000           |
| Mortgage repayment .....                                | 25,000              | 25,000              |
| Issue of capital stock .....                            | —                   | 154,000             |
|                                                         | <u>6,652,000</u>    | <u>7,280,000</u>    |
| <br><b>Application of Funds</b>                         |                     |                     |
| Investment in fixed assets .....                        | 1,696,000           | 2,493,000           |
| Non-current accounts receivable .....                   | 331,000             | —                   |
| Dividends .....                                         | 1,593,000           | 1,710,000           |
| Repayments on long-term debt .....                      | 304,000             | 590,000             |
|                                                         | <u>3,924,000</u>    | <u>4,793,000</u>    |
| Increase in Working Capital .....                       | 2,728,000           | 2,487,000           |
| Working Capital at January 1 .....                      | 17,369,000          | 14,882,000          |
| Working Capital at December 31 .....                    | <u>\$20,097,000</u> | <u>\$17,369,000</u> |



**PHILLIPS CABLES LIMITED**  
AND SUBSIDIARIES

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

DECEMBER 31, 1971

**1. PRINCIPLES OF CONSOLIDATION**

The consolidated financial statements include the financial position and results of operations of Phillips Cables Limited and subsidiaries, all of which are wholly owned.

**2. FIXED ASSETS**

During the year the company made certain capital expenditures for which it is entitled to government grants totalling approximately \$585,000 under various federal and provincial capital assistance programs. This amount has been applied to reduce the cost of the related fixed assets.

**3. LONG-TERM DEBT**

|                                                                     | 1971               | 1970               |
|---------------------------------------------------------------------|--------------------|--------------------|
| 5¾% First Mortgage Sinking Fund Bonds Series A due February 1, 1985 |                    |                    |
| Authorized and issued .....                                         | \$6,500,000        | \$6,500,000        |
| Purchased and cancelled .....                                       | 1,420,000          | 1,150,000          |
|                                                                     | <u>5,080,000</u>   | <u>5,350,000</u>   |
| 6% Equipment loan .....                                             | —                  | 9,000              |
| 7½% Chattel mortgages .....                                         | 229,000            | 260,000            |
|                                                                     | <u>229,000</u>     | <u>269,000</u>     |
| Current maturities .....                                            | 34,000             | 40,000             |
|                                                                     | <u>195,000</u>     | <u>229,000</u>     |
|                                                                     | <u>\$5,275,000</u> | <u>\$5,579,000</u> |

The trust deed provides for sinking fund payments sufficient to retire \$4,700,000 of the Series A bonds by February 1, 1984. The payments due February 1, 1972 and 1973 amount to \$550,000 of which \$545,000 has been fulfilled by the purchase and cancellation of bonds.

(Continued)

**PHILLIPS CABLES LIMITED**  
AND SUBSIDIARIES

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

DECEMBER 31, 1971

**4. REMUNERATION OF DIRECTORS AND OFFICERS**

|                                              | 1971      | 1970      |
|----------------------------------------------|-----------|-----------|
| Remuneration of directors as directors ..... | \$ 27,000 | \$ 33,000 |
| Number of directors .....                    | 9         | 11        |
| Remuneration of officers .....               | 333,000   | 234,000   |
| Number of officers .....                     | 12        | 11        |
| Number of officers who are directors .....   | 6         | 6         |

**5. EXTRAORDINARY ITEM**

Income taxes in 1970 were reduced by \$442,000 by reason of a taxable loss of a subsidiary brought forward from prior years.

**6. PENSION PLANS**

The unfunded liability of the employees' pension plans at December 31, 1971 is estimated to be \$3,555,000. It is the intention of the company to amortize this amount over the next eighteen years. The increase in this liability over the previous year arose largely because of additional retirement benefits granted by the company.

**7. COMMITMENTS**

Commitments for capital expenditures not provided for in the accounts amount to approximately \$1,400,000.



# *Riddell, Stead & Co.*

CHARTERED ACCOUNTANTS 630 Dorchester Blvd. W., Montreal 101, P.Q.

## AUDITORS' REPORT

To the Shareholders  
Phillips Cables Limited

We have examined the consolidated balance sheet of Phillips Cables Limited and subsidiaries as at December 31, 1971 and the consolidated statements of earnings, retained earnings and source and application of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these consolidated financial statements present fairly the financial position of the companies as at December 31, 1971 and the results of their operations and the source and application of their funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

*Riddell, Stead & Co.*

February 9, 1972

**PHILLIPS CABLES LIMITED**  
AND SUBSIDIARIES

**SALES OFFICES**

|                          |                                                                                                                            |
|--------------------------|----------------------------------------------------------------------------------------------------------------------------|
| Atlantic Provinces ..... | Woodside Industrial Park, Dartmouth, N.S.                                                                                  |
| Quebec .....             | 265 McArthur St., Ville St. Laurent                                                                                        |
| Ontario .....            | 56 Sparks Street, Ottawa<br>King Street West, Brockville<br>756 Warden Ave., Scarborough<br>199 Parkdale Ave. N., Hamilton |
| Manitoba .....           | 1236 Sargent Avenue, Winnipeg                                                                                              |
| Saskatchewan .....       | 1335 Wallace Street, Regina                                                                                                |
| Alberta .....            | 14740 - 119th Ave., Edmonton<br>3411 - 10th St. S.E., Calgary                                                              |
| British Columbia .....   | 8330 Chester Street, Vancouver                                                                                             |

**FACTORIES**

|                          |                           |
|--------------------------|---------------------------|
| Atlantic Provinces ..... | Dartmouth, N.S.           |
| Quebec .....             | Rimouski                  |
| Ontario .....            | Brockville<br>Scarborough |
| Prairie Provinces .....  | Sentinel, Alta.           |
| British Columbia .....   | Vancouver                 |

**SUBSIDIARIES**

Phillips Electrical Construction Company Limited  
Triangle Conduit & Cable Canada (1968) Limited





00 different cable constructions to cope with every possible environment.

**W**herever People need Power  
in any climate on Earth  
...Phillips Cables



SIX FACTORIES  
9 WAREHOUSES COAST TO COAST



